

Message Text

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PAGE 01 THE HA 04841 051020Z

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FM AMEMBASSY THE HAGUE

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INFO AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY TEL AVIV

C O N F I D E N T I A L THE HAGUE 4841

E.O. 11652: N/A

TAGS: OREP, ENRG

SUBJ: CODEL RYAN/STEELE VISIT TO NETHERLANDS

SUMMARY: IN CONVERSATIONS AMONG CODEL, DUTCH GOVERNMENT AND OIL COMPANY PERSONNEL, GON (WANSINK) EXPRESSED DISAPPOINTMENT AND CONCERN OVER SLOW TEMPO OF PROGRESS ON OIL CONSERVATION AND APPORTIONMENT WITHIN BOTH EEC AND OECD FORA AND CITED REPORTS THAT UK AND FRANCE ARE SEEKING TO GET MORE THAN THEIR SHARE OF REDUCED MID-EAST OIL INFLOW. MODEST DELIVERIES OF HEATING OIL FROM ROTTERDAM TO NEW ENGLAND ARE EXPECTED TO DRY UP BY END-NOVEMBER. CODEL, WHICH HAD JUST TOURED ARAB COUNTRIES AND ISRAEL, SEES NO SIGN OF MORE REASONABLE ATTITUDES AMONG MID-EAST LEADERSHIP. SAUDIS
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PAGE 02 THE HA 04841 051020Z

SPECIFICALLY WARNED AGAINST MILITARY SOLUTION TO OIL SUPPLY PROBLEM. END SUMMARY

1. COINCIDING WITH VISIT OF SUBJECT CODEL TO NETHERLANDS, AMBASSADOR GOULD AND OTHER EMBASSY OFFICERS HAVE ENGAGED IN EXTENSIVE EXCHANGE OF INFORMATION AND VIEWS WITH MINECON DIR GEN OF ENERGY WANSINK, DIR OF FUELS VAN RHZJN, AND LOCAL HEADS OF EXXON AND CHEVRON. MAIN POINTS MADE BY GON, INDUSTRY, AND CODEL REPS ARE SUMMARIZED IN THIS MESSAGE.
2. WANSINK, WHO IS ALSO CHARMAN OF OECD OIL COMMITTEE, URGED US TO VIEW CURRENT CRISIS IN LONGER TERM PERSPECTIVE. HE SEES OAPEC BOYCOTT OF US AND HOLLAND AS TACTICAL DEVICES TO ACHIEVE MAXIMUM WESTERN PRESSURE ON ISRAEL IN FORTHCOMING PEACE NEGOTIATIONS; BUT FAR MORE SERIOUS PROBLEM IN HIS VIEWS IS CUTBACKS WHICH, THOUGH TIMED TO REINFORCE THIS PRESSURE, WOULD HAVE COME IN ANY EVENT. ARABS HAVE GOOD ECONOMIC REASONS FOR KEEPING OIL IN THE GROUND AND SETTLEMENT IN MID-EAST WILL NOT ALTER THEM. UNTIL ALTERNATIVE ENERGY SOURCES ARE ON STREAM, FREE WORLD MUST CONSERVE AND APPORTION THE SUPPLIES OF OIL AT ITS DISPOSAL--FIRST (IDEALLY) AT INTERREGIONAL (OECD) LEVEL AND THEN WITHIN REGIONS LIKE OLD EEC AREAS, EAST ASIA AND NORTH AMERICA.
3. WANSINK DOES NOT EXPECT US TO PUT ALL OF ITS DOMESTIC OIL INTO ANY OECD APPORTIONMENT SCHEME; BUT FACT THAT US, WITH 6 PERCENT OF WORLD POPULATION, IS CONSUMING 30 PERCENT OF WORLD ENERGY LEADS EEC AND JAPAN TO FEEL US SHOULD MEET THEM AT LEAST HALFWAY ON CONSERVATION APPORTIONMENT. WANSINK WAS CIRITICAL, FOR EXAMPLE, OF US FAILURE TO DEVELOP URBAN PUBLIC TRANSPORTATION FACILITIES AS EUROPEANS AND JAPANESE HAVE DONE. HE WAS DISAPPOINTED AT LATEST INDICATIONS (E.G. STATE 216873) THAT US CONTINUES TO MOVE SLOWLY ON OECD AGREEMENT, JUST AS SOME EUROPEAN COUNTRIES, WHICH FANCY THEMSELVES AS FAVORED BY OAPEC, ARE DOING IN EC FORUM. HE IMPLIED THAT IN ANY FREE-FOR-ALL EUROPEANS WILL PUT US IMPORT NEEDS DEAD LAST.
4. WITHIN EUROPE, WANSINK SAID, DUTCH ARE SEEKING TIGHTER AND MORE UNIFORM CONSERVATION MEASURES AND FREE EC INTERNAL MARKET IN PETROLEUM AND PRODUCTS TO NULLIFY EMBARGO ON HOLLAND AND PAVE WAY FOR EC REGIONAL ROLE IN OECD SCHEME. HE IS PROUD OF FACT THAT DUTCH HAVE BEEN FIRST TO IMPOSE INTERNAL CONSERVATION MEASURES
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PAGE 03 THE HA 04841 051020Z

(E.G. SUNDAY DRIVING BAN) BUT HAVE THUS FAR MAINTAINED FREE EXPORT OF OIL FROM NETHERLANDS TO TRADITIONAL CUSTOMERS. HE NOTED CONFIDENTIALLY, HOWEVER, THAT UK AND FRANCE HAVE PUT PRESSURE ON OIL COMPANIES (WHICH LATTER HAVE THUS FAR RESISTED) FOR CONTINUED NORMAL DELIVERIES ON GROUND OF THEIR "PREFERRED STATUS" WITH ARAB SUPPLIERS. SUCH TACTICS, HE SAID, COULD DIVIDE EC BEYOND RECALL. FRANCE AND GERMANY MUST BE PERSUADED TO AGREE TO ACTIVATION OF IIAB TO STIFLE INCIPIENT PANIC AND FACILITATE APPORTIONMENT BY COMPANIES ON BASIS OF HISTORICAL DEMAND. IN MEANTIME, GERMANY IN PARTICULAR MUST STOP PRETENDING THERE IS

NO PROBLEM AND GET CRACKING ON CONSUMPTION RESTRAINTS.

5. OIL COMPANIES EXECUTIVES SAID DUTCH STOCKS OF CRUDE AND PRODUCT ARE REASONABLY STRONG ESPECIALLY FOR HEAVY PRODUCTS AND HIGH SULPHUR CRUDE. PINCH WOULD BEGIN TO COME, THEY SAID, BY END-NOVEMBER AND FIRST TO FEEL IT WILL BE MARGINAL NEW CUSTOMERS LIKE NEW ENGLAND WHO HAVE BEEN BUYING FUEL OIL FROM ROTTERDAM THROUGH INDEPENDENTS. THEY FORESEE THAT IN ABSENCE OF INTERGOVERNMENT AGREEMENT TO CONTRARY COMPANIES SELLING FROM ROTTERDAM WILL BE GUIDED BY HISTORICAL PATTERNS AND SERVE TRADITIONAL CUSTOMERS IN GERMANY, BELGIUM AND SCANDINAVIA FIRST. EXECUTIVES AGREED WITH WANSINK THAT CUTBACKS ARE FAR MORE SERIOUS THAN BOYCOTTS. IF OPEC COUNTRIES SHOULD TRY TO BOYCOTT ADDITIONAL COUNTRIES AS PUNISHMENT FOR DIVERSION OF CRUDE TO ROTTERDAM

REFINERIES THEY WILL SOON FIND THERE IS NO PLACE EVEN FOR REDUCED CRUDE EXPORTS TO GO. FOR TIME BEING, COMPANIES WILL OBEY RULES LAID DOWN BY OPEC (THROUGH THESE ARE STILL BEING FORMULATED) BECAUSE THEY HAVE TOO MUCH INVESTMENT AT STAKE AT WELLSHEADS, BUT IF CUTBACKS CONTINUE THERE WILL BE REAL CRUNCH BY MID-FEBRUARY. EXECUTIVES HERE PROFESSED TO BE UNAWARE OF ANY PRESSURES ON THEIR COMPANIES FROM BRITISH OR FRENCH GOVERNMENTS AND ASSERTED THAT THERE HAS BEEN NO PRESSURE WHATSOEVER FROM GON.

6. CODEL MEMBERS RECOUNTED THEIR RECENT CONVERSATIONS WITH MID-EAST LEADERS, NOTABLY KING FAISAL, KING HUSSEIN AND ABBA EBAN THEY WERE SURPRISED AND APPALLED AT VIRULENT ANTI-ISRAEL ATTITUDE OF FAISAL AND AT ABBA EVAN'S MILITANCY, "ARROGANCE" AND INSENSITIVITY TO OIL PROBLEM. CODEL FELT OPEC MEMBERS WILL KEEP UP TEMPO OF CUTBACKS AT LEAST UNTIL LESS PROSPEROUS MEMBERS, E.G. ALGERIA AND IRAQ, ARE FORCED TO DEFECT. CODEL WAS IMPRESSED WITH
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PAGE 04 THE HA 04841 051020Z

COMPLETE LACK OF INTEREST ON PART OF ARAB MONEY MANAGERS IN MAKING FIXED INVESTMENTS IN OIL CONSUMING COUNTRIES WHICH MIGHT BE HELD HOSTAGE FOR CONTINUED OIL SUPPLY. THEY QUOTED SAUDI FOREIGN MINISTER AS WARNING THAT ANY ATTEMPT BY CONSUMING COUNTRIES TO SEQUESTER ARAB OIL SOURCES BY MILITARY MEANS WOULD BE SELF-DEFEATING BECAUSE ARABS COULD CREATE ENOUGH DAMAGE AT WELLSHEADS AND PORTS TO KEEP ANY OIL FROM MOVING FOR AT LEAST TWO YEARS. CODEL GOT IMPRESSION FROM ARAB LEADERSHIP THAT STATUS OF JERUSALEM WILL BE MAIN ISSUE IN PEACE TALKS.
GOULD

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